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May 17, 2007 Joint Committee on Finance Paper #413

Wisconsin Chronic Disease Program (DHFS -- Health)

Base Section

[LFB 2007-09 Budget Summary: Page 311, #6]

CURRENT LAW

The Wisconsin chronic disease program (WCDP) provides payments to health care providers for disease-related services they render to individuals with chronic renal disease, adult cystic fibrosis, and hemophilia. Base funding for the WCDP in 2006-07 is $5,212,900, which includes $4,956,200 GPR and $256,700 PR from rebate revenue the state receives from firms that manufacturer drugs purchased under the program.

With respect to chronic renal disease, the WCDP covers dialysis and transplant services, home supplies, certain medication, laboratory and x-ray services, and kidney donor services. In 2005-06, approximately 85% of the WCDP's total costs were related to the treatment of chronic renal disease, with nearly 50% of those costs being for drugs.

Persons with adult cystic fibrosis are eligible for reimbursement under the WCDP for inpatient/outpatient hospital services, certain physician services, laboratory and x-ray services, prescription medication, and some home supplies. In 2005-06, approximately 9% of the WCDP's total costs were related to the treatment of adult cystic fibrosis.

Under the WCDP, hemophilia home care recipients are eligible only for reimbursement of blood derivatives and supplies necessary for home infusion. In 2005-06, approximately 6% of the WCDP's total costs were related to the treatment of hemophilia.

To be eligible for benefits under the WCDP, an individual must, among other requirements, be a Wisconsin resident and first apply for benefits under all other health care coverage programs for which the person may reasonably be eligible, including Medicare, BadgerCare, medical assistance, and SeniorCare. Recipients with family income above the

minimum levels established by rule must contribute to the cost of the program in the form of deductibles and coinsurance requirements. WCDP recipients are also responsible for prescription drug copayments in the amount of $7.50 for each generic drug and $15 for each brand name drug.

GOVERNOR

Funding

Increase funding by $1,600 PR in 2007-08 and by $415,200 ($385,700 GPR and $29,500 PR) in 2008-09 to fully fund the projected cost of services under the WCDP. Under the bill, funding for the WCDP would increase to $5,214,500 ($4,956,200 GPR and $258,300 PR) in 2007-08 and $5,628,100 ($5,341,900 GPR and $286,200 PR) in 2008-09, based on current law.

The Governor's proposal to extend MA eligibility to childless adults would reduce funding for the program by $850,600 GPR annually. That proposal will be addressed in a separate budget paper.

Statutory Changes

Repeal provisions that, with respect to the treatment of kidney disease: (a) require DHFS to pay provider rates equal to the allowable charges under the federal Medicare program; (b) prohibit DHFS from paying state rates for individual service elements that exceed the federally-defined allowable costs; and (c) specify that the rate of charges for services not covered by public and private insurance may not exceed the reasonable charges as established by Medicare fee determination procedures.

Require that a person who provides a patient with services for the treatment of kidney disease, cystic fibrosis, or hemophilia under the WCDP accept the amount paid under the WCDP as payment in full, and prohibit any such person from billing the patient for any amount that exceeds the amount paid under the WCDP for those services. Under current law, this prohibition against "balance billing" pertains only to services provided under the WCDP for the treatment of kidney disease.

Authorize DHFS to investigate suspected fraudulent activity and other abuses on the part of persons receiving benefits under the WCDP.

DISCUSSION POINTS

1. The WCDP requires that, as a condition of eligibility, a person first apply for all other health care coverage programs for which that person may reasonably be eligible, including Medicare, BadgerCare, medical assistance, and SeniorCare. Pursuant to that statutory requirement, DHFS began, in May, 2006, to require all eligible WCDP participants to enroll in the federal Medicare Part D prescription drug program.

Recently, the administration has revised upward its estimate of the benefits WCDP enrollees will receive under Medicare Part D during 2007-08 and 2008-09 for prescription drugs for which they would otherwise be eligible for reimbursement under the WCDP. The projected impact to the WCDP, as re-estimated by the administration, is to reduce the amount of GPR that will be required to fully fund the WCDP during the 2007-09 biennium by $576,500, relative to the amounts that would be provided in the bill. The administration's revised estimates regarding Medicare Part D also reduce the WCDP's projected PR funding during the 2007-09 biennium by $67,900, relative to the amounts in the bill.

2. The administration's other estimates regarding the projected costs of the WCDP in 2007-08 and 2008-09, including anticipated inflation rates and projections of rebate revenue the state will receive from drug manufacturers, appear reasonable, based on recent historical experience.

3. The bill would repeal the current statutory requirement that the WCDP pay provider rates equal to the allowable charges under the federal Medicare program for services provided for the treatment of chronic renal disease. The state's medical assistance program currently has rates established for these services, which are comparable to the Medicare rates. Therefore, the administration argues, repealing the statutory language that references federal Medicare rates will make billing under the WCDP more efficient and more accurate. The administration does not project any significant cost impact to the WCDP if this statutory change is approved.

4. Regarding the bill's recommended statutory change to allow DHFS to pursue allegations of fraud within the WCDP, the administration states that DHFS currently has the authority to investigate such allegations in other programs, including medical assistance, and amending the statute as recommended under the bill would, for example, enable DHFS to obtain a tape exchange with other insurance providers to verify that third-party insurance coverage has been used before WCDP funding is provided.

5. Finally, with respect to the provision in the bill to forbid "balance billing" for all patients who receive services under the WCDP, current law requires providers to accept the payments made by the WCDP as payment in full for services provided for the treatment of kidney disease. Current law does not prohibit balance billing for services provided under the WCDP for the treatment of hemophilia or adult cystic fibrosis. The bill would prohibit balance billing with respect to those services as well, which the administration maintains is a more equitable approach.

ALTERNATIVES TO BASE

A. Funding -- Modification

Modify the Governor's recommendations to incorporate the administration's revised estimate of the impact of the federal Medicare Part D program, thereby reducing funding for the WCDP, relative to base, by $346,900 (-$314,600 GPR and -$32,300 PR) in 2007-08, and increasing funding for the WCDP, relative to base, by $119,300 ($123,800 GPR increase and -$4,500 PR) in 2008-09.

	Change to Bill Funding	Change to Base Funding
GPR	- $576,500	- $190,800
PR	- 67,900	- 36,800
Total	- $644,400	- $227,600

B. Statutory Changes

1. Adopt all of the Governor's recommended statutory changes to the program.

2. Adopt one or more of the following statutory changes.

a. Repeal provisions that, with respect to the treatment of kidney disease: (a) require DHFS to pay provider rates equal to the allowable charges under the federal Medicare program; (b) prohibit DHFS from paying state rates for individual service elements that exceed the federally-defined allowable costs; and (c) specify that the rate of charges for services not covered by public and private insurance may not exceed the reasonable charges as established by Medicare fee determination procedures.

b. Require that a person who provides a patient with services for the treatment of kidney disease, cystic fibrosis, or hemophilia under the WCDP accept the amount paid under the WCDP as payment in full, and prohibit any such person from billing the patient for any amount that exceeds the amount paid under the WCDP for those services. Under current law, this prohibition against "balance billing" pertains only to services provided under the WCDP for the treatment of kidney disease.

c. Authorize DHFS to investigate suspected fraudulent activity and other abuses on the part of persons receiving benefits under the WCDP.

3. Maintain current law.

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